

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
Monday, May 19, 2014**

A work session of the Cochise County Board of Supervisors was held on Monday, May 19, 2014 at 9:00 a.m. in the Board of Supervisors' Executive Conference Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Ann English, Chairman; Richard R. Searle, Vice-Chairman; Patrick G. Call, Supervisor

Staff Present: Michael J. Ortega, County Administrator

Jim Vlahovich, Deputy County Administrator

Arlethe G. Rios, Clerk of the Board

Lois Klein, Finance Director

Mike McGinnis, Budget Manager

Chairman English called the meeting to order at 9:00 a.m.

ANY ITEM ON THIS AGENDA IS OPEN FOR DISCUSSION AND POSSIBLE ACTION

PLEDGE OF ALLEGIANCE

THE ORDER OR DELETION OF ANY ITEM ON THIS AGENDA IS SUBJECT TO MODIFICATION AT THE MEETING

INTRODUCTIONS

ITEMS FOR DISCUSSION

Board of Supervisors

1. Budget Work Session - Overview of Fiscal Year 2014-15 Budget and Review of Department Budget requests.

Mr. Michael Ortega, County Administrator, presented this item using a PowerPoint presentation. Mr. Ortega said that the departments had been invited to speak to the Board directly regarding requests for the upcoming fiscal year.

Chairman English asked Mr. Billy Cloud, Deputy Clerk of the Court, to discuss Ms. Mary Ellen Dunlap's request.

Mr. Cloud said that the Clerk of the Court requested making a temporary position full time to help processes stay on track.

Mr. Ortega stated that he was not recommending this request due to the cost of a full time position. He noted that it was not sustainable, but that he was looking for other ways to help the department without making the position full time.

Chairman English asked about the turnover rate at the Clerk of the Courts' Office.

Mr. Kenny Reeves, Business Manager of the Clerk's Office, said that this position in particular had turned over three times and noted that exit interviews done with the outgoing staff proved that the reason was due to the position lacking benefits.

Chairman English said that the Board would consider this request and make a final decision as a part of the tentative budget packet.

Mr. Ortega outlined the main topics for the discussion: Overview of the current fiscal year, Projections/Cash Flow for fiscal years 2014/2015 to 2017/2018, Department Budgets for fiscal year 2014/2015, and Budget Recommendations for fiscal year 2014/2015. He noted that changes from the work session in April were highlighted in yellow. He stated that the current year was still tracking and was slightly better than projected. He attributed the savings to staff and commended their team effort.

Chairman English asked about the cost of capital cases.

Mr. Ortega stated that he had added \$300,000 to the budget for the upcoming fiscal year as one of the cases would go to trial. He noted that \$1.2 million had already been spent for costs related to attorney fees, research, and expert witnesses.

Supervisor Call asked about the turnover rate for the County.

Mr. Ortega said that the turnover rate was about 5-8% and that holding vacancies has helped. Mr. Ortega then addressed other budget issues and discussed the Board's authorization of cash carry forward funds to help with road construction and other one-time expenses. He also expressed concern for revenues for the Justice Courts saying that they were showing a decrease, but hoped that vacancy savings would address any shortfalls.

Supervisor Call noticed a change in the Sheriff's Office overtime fund line and asked what the increase was for.

Mr. Ortega said that he had added \$200,000 to address overtime. He moved on to address cash flow for the upcoming fiscal years noting that there would be a \$2 million shortfall in fiscal year 2014/2015 and a \$5 million shortfall after the 2017/2018 fiscal year ended. He listed options to address the shortfall: use cash carry forward funds, use vacancy savings, or increase the property tax rate. He showed a history of the property tax rate over the last 20 years and listed the different scenarios for fiscal year 2014/2015. He discussed personnel for the upcoming fiscal year and said that there were several requests from departments to add positions. He recommended approval of the 2 positions for the justice court in Sierra Vista and the sex offender analyst for the Sheriff's Office, but did not recommend approval of the 2 court assistants for the Clerk of the Court and the justice court in Bisbee or the vital records clerk for the Health Department. He noted that he had already discussed his recommendations with each department and commended the Health Department for finding an alternative way to address vital records without a new position.

Supervisor Call asked about the collections in the Sierra Vista justice court for the red light cameras.

Mr. Ortega said the projections were close to \$200,000.

Chairman English asked about the history of the sex offender analyst position.

Ms. Klein stated that the original position was acquired through a grant, then paid for by cash carry forward funds from the Sheriff's Office and due to those funds being expended they were asking that it now be funded by the general fund.

Mr. Ortega continued with the budget issues for fiscal year 2014/2015. He highlighted major concerns like the Payment in Lieu of Taxes (PILT) funds; increased retirement funds, unstable fuel costs; highway funding; solid waste costs; and personnel related issues. He gave a brief summary of the ½ cent sales tax and highlighted the \$2 million cost for the jail remodel; expenditure limits; and paying off the Melody Lane Complex.

Supervisor Call asked what the expenditure limit was.

Ms. Klein estimated the limit as \$65 million, but would find the exact number and follow up with Supervisor Call.

Mr. Ortega listed several options to address the expenditure limit and said if they got close to it they would bring it back to the Board to decide on an option. He then highlighted some personnel issues and noted that depending on future costs on the affordable care act, the County might not be able to absorb higher costs in insurance like they have done in the past. He noted that he was using the performance incentive program to evaluate employees.

Chairman English asked if the judicial employees were also doing performance evaluations.

Mr. Ortega said that he did not know if they were implementing a performance evaluation process, but noted that judicial employees were already part of a pay plan along with deputies and detention officers which are funded from their salary savings.

Chairman English expressed her concern for the Information Technologies (IT) budget stating that in order to overhaul the department, which they were supporting, maybe more money should be allotted for their projects.

Mr. Ortega said that he had discussed the budget with Mr. Tyson Mock, IT Director, and he was in agreement with the set amount.

Supervisor Call asked about the decrease in the budget for capital projects.

Mr. Ortega said that one project was removed which decreased the total amount. He also noted that the cost of the jail remodel might affect the expenditure limit, but he had some ideas on how to work around the expenditure limit and possibly do the remodel in phases.

Supervisors Call asked if a loan was a possibility.

Mr. Ortega said a credit line could be used, but noted that short term loans cost more. He then addressed fuel costs and stated that the Board had made a decision a couple of years back to have a fuel contingency, which had been used in highways for equipment replacement.

Vice-Chairman Searle asked if Mr. Ortega had considered hedging to address the instability of fuel costs.

Mr. Ortega said that some research had been done, but that he would need direction from the Board in order to move forward.

Supervisor Call said he was interested in hearing more about fuel hedging before giving staff direction.

Mr. Ortega said he could schedule a work session to address that topic in more detail. He then addressed fleet replacement and stated that there was some money available and that staff planned to replace 12 vehicles in the upcoming fiscal year.

Supervisor Call asked if research had been done in less expensive sedans. He noted that there could be some cost savings in fleet and fuel costs if the County purchased smaller sedans.

Mr. Ortega said Mr. Ruben Miranda, Fleet Director, had done research for larger vehicles, but that he would request sedans be included to see if there was significant cost savings.

He moved on to department budget reviews and noted that most requests and updates had already been addressed directly to the Board by individual departments. He highlighted each department's requests and noted costs for decision packages.

Vice-Chairman Searle asked if donations affect the expenditure limit.

Ms. Klein said that donations are like grants and have no effect on the expenditure limit.

Mr. Ortega said that there were still some departments pending and that he would schedule a follow up work sessions to address those departments and any concerns the Board had in today's meeting.

Supervisor Call asked that staff keep an eye on legislative bills regarding solar energy, as he had heard that companies might begin to charge solar energy providers for excess energy.

Vice-Chairman Searle pointed out that building maintenance in the northern part of the County was not effective and suggested setting up a maintenance staff based out of that area instead of having the staff from Bisbee travel up there.

Mr. Ortega said he agreed with Vice-Chairman Searle's suggestion and would discuss options with Mr. Eddie Levins, Facilities Management Director.

He noted that the University of Arizona (U of A) Cooperative Extension requested an increase in their budget for travel and staff.

Vice-Chairman Searle said that due to the staff increase they would probably also need more space in the Willcox office.

Mr. Ortega said he would discuss with Ms. Susan Pater, Director of the U of A.

Chairman English asked about the water conservation/natural resources budget.

Mr. Ortega stated he had spent an estimated \$64,000 in the current fiscal year and would not spend more than the budgeted amount directed by the Board. He added that if he needed to increase the budget to address specific issues he would make a formal request from the Board. He said that he wanted to suggest that the Board change the Emergency Management Services Department to the Office of Emergency Services in order to avoid confusion with the acronym EMS. He added that Mr. Norm Sturm, Emergency Services Director, was requesting a decision package for a mass notification system at an estimated cost of \$14,000 with a 50% reimbursement rate from the State.

Supervisor Call suggested partnering with the cities to save on costs and have a countywide system.

Mr. Ortega said he would discuss with the cities.

Mr. Sturm stated that although he was in favor of a partnership, we would suggest that the administration be done through the County.

Mr. Ortega showed a summary of the budget for general government and highlighted the new fund line for staff recruitment. He stated that this was added to give staff an opportunity to look at recruiting differently and focus on targeted recruitments for specific positions.

Supervisor Call suggested using business networking websites for recruitments.

Vice-Chairman Searle asked if the Cochise County Fair Association received the grant to continue hosting races.

Mr. Ortega stated that he had not been updated, but would check with the Ms. Karen Strongin, General Manager of the Cochise County Fair Association.

He continued the overview of the general government budget.

Supervisor Call notified everyone that the United States/Mexico Border Counties Coalition will be moving toward dissolution and that the group was looking into the possibility of the National Association of Counties (NACo) to absorb those duties.

Mr. Ortega reviewed the special revenue fund departments and highlighted changes for the upcoming fiscal year. He said that one of the major changes was that revenues for the Flood Control District were decreasing and he recommended raising the rate. He noted that more details on the flood and highways budget will be given at an upcoming work session.

The Board recommended that overhead for district projects be charged to the general fund in order to maximize road projects.

Mr. Ortega gave a final summary of the budget and stated that there would be a \$2 million shortfall for Fiscal Year 2014/2015. He gave the Board several options to deal with the shortfall and attributed team effort to the savings the County had amassed.

Supervisor Call stated that although he was willing to review several options he would not vote to increase property rates. He noted that he felt it was unnecessary and did not want to place additional burden on the residents of the County.

Vice-Chairman Searle said that he thought using cash carry forward funds was a great option. He noted that although property rates might have to increase in the future, he did not feel this was the right time to approve an increase.

Chairman English said that she wanted the public to understand that a shortfall does exist and although the Board would be using savings to address the shortfall, this could not continue into the future.

Supervisor Call added that the public should also understand that tax increases that impact property taxes come from special districts, not the County.

Chairman English asked about the cost of temporary employees.

Mr. Ortega said the cost was helpful in savings for positions, but noted that temporary employees were hard to recruit since they did not receive any benefits.

Supervisor Call asked how Cochise County was doing in contrast to other counties.

Mr. Ortega said that Cochise County was very solid in comparison. He said a lot of counties were now participating in programs to compensate employees, like one time distributions, which was modeled after Cochise County. He added that budgeting for property tax stabilization, another model from Cochise County, had also been implemented in many counties.

Chairman English commented on small/medium counties who were having a hard time dealing with the economic downfall.

Mr. Ortega said that Cochise County was doing very well and had the flexibility that other counties do not.

Supervisor Call said that he was pleased with the County's current state, but that the impact of a possible closure or reduction in missions at Fort Huachuca should be a discussion topic for future conversations.

Mr. Ortega said he would continue to be involved in the conversations regarding Fort Huachuca's future. He went over some of the decision packages and said he would have one more budget work session to discuss Solid Waste Management and Highways in more detail.

Chairman English adjourned the meeting at 11:53 a.m.

APPROVED:

Ann English, Chairman

ATTEST:

Arlenthe G. Rios, Clerk of the Board